



Office of Advocacy

U.S. Small Business Administration

Small Farm Lending by Bank Holding Companies

A Directory of Small Farm Lending Reported by Commercial
Bank Holding Companies in June 1998

February 1999

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Foreword

The Office of Advocacy is pleased to release the first edition of *Small Farm Lending by Bank Holding Companies*. This study follows the format of earlier Advocacy bank holding company (BHC) studies and provides information not otherwise available. It will help small farmers identify the multi-billion-dollar BHCs that are “small-farm-friendly” — those from which small farms have been successful in obtaining loans.

With the rapid pace of BHC mergers and the consolidation of BHC accounting operations, the study of these largest banks becomes relevant to an understanding of small farm lending in the United States. Highlights include the following:

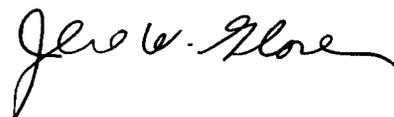
- Although the 57 largest BHCs held 68.6 percent of all domestic bank assets in June 1998, they made just 10.7 percent, or 160,000 of all the outstanding small farm loans (loans under \$250,000). These BHCs held 11.1 percent, or \$5.6 billion, of the \$50.3 billion in small farm loans.
- Small farm loans totaled just 0.18 percent of total assets in these BHCs. Five BHCs had percentages over 0.5 percent; only Mercantile Bancorporation exceeded 1.0 percent.
- The top five small-farm-friendly lenders were Mercantile Bancorporation, Norwest, Union Planters, Marshall & Ilsley, and Commercial Bankshare. These five lenders are also active in lending to small businesses, although only Norwest is also in the top five small business lenders.
- Overall, these BHCs are more than three times as active in small business lending as in small farm lending. Whether this fact reflects only differences in demand or inadequate supply is a question for further research.

Companion reports include *Small Business Lending in the United States*, *The Bank Holding Company Study*, *Micro-Business-Friendly Bank Lending in the United States*, and *Small Farm Lending Banks in the United States*. The first and last studies rank banks as to their small business or small farm lending within each state. The second ranks BHCs on their lending to small firms; the third ranks banks on their lending in amounts under \$100,000.

This report would be incomplete without a note about banks' participation in the U.S. Small Business Administration's lending programs. Included in the estimates in this study are only those portions of loans under SBA loan guaranty programs that were not sold on the secondary market. Therefore, regardless of their rankings in these banking studies, banks participating in the SBA's preferred or certified lender programs should be considered small-farm and small-business-friendly, and small farms and small businesses in search of capital are encouraged to seek them out.

Readers of earlier banking studies have made many helpful suggestions with respect to their format. A number of suggestions have been incorporated in this edition to improve its usefulness while preserving comparability with earlier studies. Further comments and suggestions are welcome.

For those with access to the Internet, the studies are available at <http://www.sba.gov/ADVO/lendinginus2.html>.



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Introduction

Small Farm Lending by Bank Holding Companies is the first study of small farm lending by the largest bank holding companies (BHCs) in the United States. This report is a companion to a more comprehensive study, *Small Farm Lending in the United States*, which ranks all 8,966 commercial banks that reported small farm lending data in the June 1998 call reports filed with federal banking regulators.¹

The study provides information not otherwise available in the marketplace and helps small farmers identify multi-billion-dollar BHCs that are “small-farm-friendly.” With the rapid pace of bank mergers and the consolidation of accounting operations by major banking companies over the past several years, the study of multi-billion-dollar BHCs becomes even more relevant to an understanding of small farm lending in the United States.

The 1998 Report

This study analyzes the lending behavior of the 57 largest BHCs with domestic assets of \$10 billion or more.

A four-criteria scoring method is used to measure the “small-farm friendliness” of these BHCs. The method—also used in the Office of Advocacy’s other banking studies—provides a

¹Call reports, officially known as *Consolidated Reports of Condition and Income for U.S. Banks*, are quarterly reports filed by financial institutions with their appropriate bank regulators providing detailed information on the institution’s current status. Section 122 of the Federal Deposit Insurance Corporation Improvement Act of 1991 requires such institutions to report annually the number and amount of small business loans.

more balanced measurement of the small business lending activities of very large BHCs.²

The four variables are (1) the ratio of small farm loans to total bank assets, (2) the ratio of small farm loans to total farm loans, (3) the dollar value of small farm loans, and (4) the number of small farm loans. The first two variables measure the importance of small farm loans in the bank’s portfolio and give BHCs with greater emphasis on small farm lending a better chance to be included in the top rankings.

Because of the small number of banks involved, a BHC’s rank in a given category is based on a simple ranking rather than the decile ranking system used in the other Office of Advocacy banking studies. The four rankings were summed and re-ranked from a top ranking of 1 to a low of 57.

Overview

The 57 large bank holding companies, which held more than two-thirds (68.6 percent) of all bank assets in June 1998, had much smaller shares of small farm and small business loans:

- They held \$5.6 billion, just 11.1 percent, of the \$50.3 billion in small farm loans under \$250,000 outstanding in all banks.
- In comparison, they held three times the share (36.6 percent or \$68.6 billion) of the outstanding small business loans under \$250,000.

²Reliance on a single criterion, the dollar amount of small farm lending, could result in misleading ranking information. For example, a bank could rise to the top of the list simply by increasing assets—and small farm lending—through merger and acquisition activities.

- The BHCs had \$3.02 billion (7.8 percent) of the \$38.8 billion in small farm loans of less than \$100,000 and \$35.9 billion or 32.2 percent of comparable small business loans.
- They held \$7.79 billion (13.2 percent) of the \$59 billion in small farm loans under \$1 million, compared with \$157.3 billion or 42.2 percent of comparable small business loans.
- These multi-billion-dollar BHCs had 136,951 small farm loans under \$100,000 with an average value of \$22,052—an indication of the importance of credit cards for small purchases and lines of credit; 159,805 loans under \$250,000; and 183,000 loans of less than \$1million.
- They also had 3,299,722 small business loans under \$100,000 with an average size of \$10,877; 3,587,170 loans of less than \$250,000; and 3,874,618 loans under \$1 million. The average small business loan is even smaller than the average small farm loan, in part an indication that credit cards are even more important for small firms.
- In the top five small-farm-friendly BHCs, the average small farm loan size was largest at Marshall & Ilsley at \$41,000, second largest at Norwest at \$32,000, and smallest at Commerce Bankshares at \$23,000 .
- Small farm loans amounted to only 0.18 percent of total assets in these BHCs. Only five BHCs had percentages greater than 0.5 percent; only one over 1.0 percent. In comparison, the smallest banks devoted almost 10 percent—55 times the BHC share—of their assets to small farm loans.

Norwest Bank alone is among the top five BHCs in lending to both small farms and small businesses (Tables A and B). The final column in Tables A and B shows each BHC’s ranking in the other category (small farm or small business lending).

Table A, Top Five Small-Farm-Friendly BHCs in 1998

<i>Bank Name</i>	<i>Rank</i>	<i>SFL/TA</i> <i>%</i>	<i>SFL\$</i> <i>(Millions)</i>	<i>Rank in</i> <i>SBL</i>
Mercantile	1	1.37	566	17
Norwest	2	0.73	885	3
Union Planters	3	0.86	282	7
Marshall & Commerce	4	0.75	303	12
	5	0.87	128	27

Note: SFL = small farm loans (<\$250,000) outstanding; SBL = small business loans, SFL/TA= small farm loans to total assets.

Table B, Top Five Small-Business-Friendly BHCs in 1998

<i>Bank Name</i>	<i>Rank</i>	<i>SBL/TA</i> <i>%</i>	<i>SBL\$</i> <i>(Millions)</i>	<i>Rank in</i> <i>SFL</i>
BB&T	1	6.4	1,916	9
Wells Fargo	2	4.5	4,336	29
Norwest	3	4.1	2,876	2
First America	4	6.9	1,300	7
South Trust	5	5.5	1,896	20

Note: SBL = small business loans (<\$250,000) outstanding; SFL = small farm loans, SBL/TA= small business loans to total assets.

All of these banks are in roughly the top half of BHCs in lending to both small farms and small businesses.

But the 57 BHCs are much less prevalent in the small farm market than they are in the small business market, especially in comparison with the smallest banks. While the difference may be partially attributable to different markets and demand relationships, it may also reflect a less adequate supply of loans to small farms. This is a question for further research.

The Table: Small Farm Lending by Bank Holding Companies, June 1998

The table that follows ranks the small farm friendliness of BHCs on the basis of four criteria that emphasize the small farm lending in a bank's loan portfolio. Small farm loans (SFL) are defined here as loans under \$250,000.

Explanation of Columns

1. Total Rank. The total rank is the BHC's summary ranking. The four rankings in columns 2-5 were summed and re-ranked from a top ranking of 1 to a low of 57. BHCs with identical summary scores were given the same total ranking.

2. Ratio of Small Farm Loans to Total Assets (SFL/TA). The ratio of small farm loans under \$250,000 to total bank assets for each BHC ranged from 0 to 1.37 percent, for an average ratio of 0.18 percent.

3. Ratio of Small Farm Loans to Total Farm Loans (SFL/TFL). The ratios of the value of small farm lending to total farm lending ranged from 0 percent to 56 percent, for an average ratio of 15.9 percent.

4. Total Dollar Amount of Small Farm Lending by the BHC (SFL\$) The total dollar amounts (in millions) of small

farm loans of less than \$250,000 ranged from 0 to \$885 million.

5. Total Number of Small Farm Loans (SFL#). The number of small farm loans ranged from 0 to 27,550.

6. BHC Asset Size Class (BKSize). Here the BHCs' asset size classes are defined in two categories.

- \$10 billion to under \$50 billion (10B–50B)
- \$50 billion and over (>50B)

7. Growth of Total Bank Assets (GTA 98/97) The rates of growth in BHC assets from 1997 to 1998—reflecting both internal growth and growth through mergers or acquisitions—ranged from –6.21 percent to 87.14 percent.

8. Total Rank for Larger Small Farm Loans (Total Rank LSFL). As in the first column, BHCs are ranked from 1 to 57 on their relative small business friendliness, in this case with respect to larger small farm loans under \$1 million.

9. Total Rank for Smaller Small Farm Loans (Total Rank SSFL) As in the first column, BHCs are ranked from 1 to 57 on their relative small business friendliness, this time with respect to microloans under \$100,000.

Limitations of the Study

It is important to note that the call report data tell only the commercial banking part of the story about lending to small farms. Small farms certainly have access to other sources of credit, such as family and friends. Users should also remember that some lending information may not be reported in call reports or may not be discernible as small farm financing; for example:

- BHCs may provide lines of credit to small farms in their regions, but if they are not used, they may not be reported.
- BHCs may issue consumer credit cards or other forms of consumer credit to small farms for working capital, for example, to buy office equipment. These may be categorized by a bank as lines of credit or consumer loans.
- BHCs may make loans to small farms under their consumer loan divisions, classifying the loans as consumer loans.
- BHCs may send business owners to a subsidiary finance company.
- SBA loans sold in the secondary market will be recorded in the number of loans made by BHCs; however, only the non-guaranteed portion of these loans is included in the dollar value of small loans in the call reports.
- Loans may be made to small farms in the form of a second mortgage on the farm owner's home and/or as personal lines of credit.
- Small farm owners may use their personal credit cards to finance their business.

Moreover, call reports do not reflect a major factor affecting a BHC's small business lending activities: the demand or lack of demand for small farm loans. BHCs with a similar capacity to lend, but responding to less regional demand for small farm loans, may have a lower small farm friendliness rating than BHCs responding to more demand.

Despite these limitations, call report data provide sufficient information to present a fairly accurate picture of lending to small farms in the U.S. economy. And they are currently the only source of small farm lending information available to the public.

Suggestions

Suggestions are welcome. Send written comments to: Office of Advocacy, U.S. Small Business Administration, Mail Code 3112, 409 Third Street, SW, Washington, DC 20416. Or fax comments to (202) 205-6928. Comments and technical questions may be addressed to Dr. Robert Berney or Dr. Charles Ou, Office of Advocacy, U.S. Small Business Administration, telephone (202) 205-6966, e-mail: robert.berney@sba.gov or charles.ou@sba.gov

Accessing the Study

You may access *Small Farm Lending by Bank Holding Companies* on the World Wide Web at the following address:

- <http://www.sba.gov/ADVO/lendinginus2.html>

The latest editions of *Small Farm Lending in the United States*, *The Bank Holding Company Study*, *Small Business Lending in the United States*, and *Micro-Business-Friendly Banks in the United States* are available at the same address.

Paper and microfiche copies of the banking studies are available for purchase from the National Technical Information Service, Springfield, VA 22161, telephone (703) 605-6000.

Small Farm Lending Of Multi-Billion-Dollar Bank Holding Companies, June 1998.

Name of BHC	Location	HQ State	Total Rank	SFL/TA (1)	SFL/TFL (2)	SFL\$ (3)	SFL# (4)	BKSize (5)	TA (98/97) % (6)	Total Rank LSFL (7)	Total Rank SSFL (8)
MERCANTILE BANCORPORATION IN	SAINT LOUIS	MO	1	0.0137	0.5671	565.8	21,192	\$10B-50B	36.98	1	6
NORWEST CORPORATION	MINNEAPOLIS	MN	2	0.0073	0.3436	885.0	27,550	>\$50B	4.67	3	12
UNION PLANTERS CORPORATION	MEMPHIS	TN	3	0.0086	0.3576	281.8	9,094	\$10B-50B	22.38	2	16
MARSHALL & ILSLEY CORPORATIO	MILWAUKEE	WI	4	0.0075	0.3017	302.9	7,365	\$10B-50B	37.91	4	20
COMMERCE BANCSHARES INC.	KANSAS CITY	MO	5	0.0087	0.4702	127.7	5,562	\$10B-50B	4.78	7	24
NATIONAL CITY CORPORATION	CLEVELAND	OH	6	0.0019	0.3398	286.4	6,436	>\$50B	55.78	5	40
FIRST AMERICAN CORPORATION	NASHVILLE	TN	7	0.0038	0.3671	106.0	3,132	\$10B-50B	87.14	8	44
FIRSTAR CORPORATION	MILWAUKEE	WI	8	0.0037	0.2863	168.6	4,616	\$10B-50B	3.34	6	40
BB&T CORPORATION	WINSTON-SALEM	NC	9	0.0026	0.3025	147.3	4,650	\$10B-50B	32.88	9	48
U.S. BANCORP	MINNEAPOLIS	MN	10	0.0027	0.1255	389.0	10,546	>\$50B	86.24	11	28
ZIONS BANCORPORATION	SALT LAKE CITY	UT	11	0.0045	0.3035	98.9	2,563	\$10B-50B	47.86	12	44
FIRST SECURITY CORPORATION	SALT LAKE CITY	UT	12	0.0040	0.1929	135.3	6,410	\$10B-50B	24.49	10	38
NATIONSBANK CORPORATION	CHARLOTTE	NC	13	0.0008	0.1688	426.5	10,839	>\$50B	24.15	13	52
BANC ONE CORPORATION	COLUMBUS	OH	14	0.0010	0.1539	257.1	5,589	>\$50B	8.78	17	52
STAR BANC CORPORATION	CINCINNATI	OH	14	0.0021	0.4391	51.8	1,488	\$10B-50B	38.17	15	72
KEYCORP	CLEVELAND	OH	16	0.0012	0.1056	199.3	6,918	>\$50B	7.62	14	52
HUNTINGTON BANCSHARES INCORP	COLUMBUS	OH	17	0.0014	0.2425	85.7	1,697	\$10B-50B	33.62	19	68
FIRST TENNESSEE NATIONAL COR	MEMPHIS	TN	18	0.0015	0.3992	36.8	877	\$10B-50B	20.8	21	80
FIFTH THIRD BANCORP	CINCINNATI	OH	19	0.0013	0.2651	56.8	1,353	\$10B-50B	19.66	24	74
SOUTHTRUST CORPORATION	BIRMINGHAM	AL	20	0.0009	0.2165	57.3	2,223	\$10B-50B	19.05	20	86
WACHOVIA CORPORATION	WINSTON-SALEM	NC	21	0.0008	0.1600	114.2	2,522	>\$50B	30.98	18	78
FIRST CHICAGO NBD CORPORATIO	CHICAGO	IL	22	0.0003	0.2550	63.9	1,272	>\$50B	6.92	26	108
FIRST UNION CORPORATION	CHARLOTTE	NC	23	0.0003	0.0683	160.6	2,596	>\$50B	45.41	22	96
SUNTRUST BANKS INC.	ATLANTA	GA	24	0.0006	0.1045	76.2	1,859	>\$50B	8.31	25	90
OLD KENT FINANCIAL CORPORATI	GRAND RAPIDS	MI	25	0.0008	0.2028	24.4	745	\$10B-50B	1.22	26	102
HIBERNIA CORPORATION	NEW ORLEANS	LA	26	0.0009	0.1263	40.2	562	\$10B-50B	32.44	16	96
M & T BANK CORPORATION	BUFFALO	NY	27	0.0003	0.4436	11.2	194	\$10B-50B	50.3	31	128
MARINE MIDLAND BK	BUFFALO	NY	28	0.0005	0.1813	38.3	611	\$10B-50B	0.25	29	110
WELLS FARGO & COMPANY	SAN FRANCISCO	CA	29	0.0004	0.0214	99.9	2,583	>\$50B	-6.21	23	92
FIRST NB OF MD	BALTIMORE	MD	30	0.0005	0.1960	20.3	331	\$10B-50B	57.03	28	116
CRESTAR FINANCIAL CORPORATIO	RICHMOND	VA	31	0.0003	0.2467	13.7	370	\$10B-50B	17.09	33	136
REGIONS FINANCIAL CORPORATIO	BIRMINGHAM	AL	32	0.0007	0.0455	19.9	1,711	\$10B-50B	21.78	38	102
COMPASS BANCSHARES INC.	BIRMINGHAM	AL	33	0.0004	0.2351	8.8	241	\$10B-50B	18.88	35	128
BANKAMERICA CORPORATION	SAN FRANCISCO	CA	34	0.0002	0.0172	82.1	1,409	>\$50B	-1.82	30	124
AMSOUTH BANCORPORATION	BIRMINGHAM	AL	35	0.0002	0.1609	10.0	274	\$10B-50B	8.96	36	146
PNC BANK CORP.	PITTSBURGH	PA	36	0.0001	0.1292	14.0	264	>\$50B	2.21	36	152
UNION BK OF CA NA	SAN FRANCISCO	CA	37	0.0003	0.0348	32.1	435	\$10B-50B	-0.13	32	132
FLEET FINANCIAL GROUP INC.	BOSTON	MA	38	0.0000	0.2111	5.6	185	>\$50B	22.14	39	168
PACIFIC CENTURY FINANCIAL CO	HONOLULU	HI	39	0.0004	0.0944	6.9	168	\$10B-50B	8.88	40	136
CHASE MANHATTAN CORPORATION	NEW YORK	NY	40	0.0000	0.0768	8.3	170	>\$50B	16.33	42	168
MELLON BANK CORPORATION	PITTSBURGH	PA	41	0.0000	0.0751	8.6	115	\$10B-50B	6.6	34	168
COMERICA INCORPORATED	DETROIT	MI	41	0.0001	0.0608	7.7	156	\$10B-50B	1.85	43	156

Small Farm Lending Of Multi-Billion-Dollar Bank Holding Companies, June 1998.

Name of BHC	Location	HQ State	Total Rank	SFL/TA	SFL/TFL	SFL\$	SFL#	BKSize	TA (98/97) %	Total Rank LSFL	Total Rank SSFL
			(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
MICHIGAN NB	FARMINGTON HILLS	MI	43	0.0001	0.0260	4.7	61	\$10B-50B	11.38	44	164
HARRIS T&SB	CHICAGO	IL	44	0.0001	0.0083	3.5	65	\$10B-50B	9.13	46	168
NORTHERN TRUST CORPORATION	CHICAGO	IL	44	0.0000	0.0496	0.6	9	\$10B-50B	17.62	47	180
SUMMIT BANCORP	PRINCETON	NJ	46	0.0000	0.0428	0.7	6	\$10B-50B	32	45	184
J.P. MORGAN & CO. INCORPORAT	NEW YORK	NY	47	0.0000	0.0791	0.3	5	>\$50B	21.33	48	198
BANKBOSTON CORPORATION	BOSTON	MA	48	0.0000	0.0539	0.4	5	>\$50B	14.83	41	198
BANK OF NEW YORK COMPANY IN	NEW YORK	NY	49	0.0000	0.0084	0.3	10	\$10B-50B	-5.37	50	188
LASALLE NB	CHICAGO	IL	50	0.0000	0.0426	0.1	1	\$10B-50B	9.84	48	196
STATE STREET CORPORATION	BOSTON	MA	51	0.0000	0.0035	0.1	3	\$10B-50B	11.46	51	200
CITICORP	NEW YORK	NY	52	0.0000	0.0000	0.0	0	>\$50B	11.18	52	208
BANKERS TRUST CORPORATION	NEW YORK	NY	53	0.0000	0.0000	0.0	0	>\$50B	36.76	53	212
REPUBLIC NEW YORK CORPORATIO	NEW YORK	NY	54	0.0000	0.0000	0.0	0	\$10B-50B	10.33	54	216
AMERICAN EXPRESS CENTURION B	MIDVALE	UT	NR	0.0001	0.8661	1.7	767	\$10B-50B	-1.59		
MBNA CORPORATION	WILMINGTON	DE	NR	0.0000	0.0000	0.0	0	\$10B-50B	13.55		
GREENWOOD TC	GREENWOOD	DE	NR	0.0000	0.0000	0.0	0	\$10B-50B	.		

Note: Small businesses seeking loans from small-business-friendly banks should also consider banks that participate in SBA loan program. To locate the SBA preferred or certified lender nearest to your business, call 1-800-8-ASK-SBA or check SBA's home page at <http://www.sba.gov>.

Source: Office of Economic Research, Office of Advocacy, U.S. Small Business Administration from call report data.